COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation into Distributed Generation) Docket No. 02-38

COMMENTS OF
MEADWESTVACO CORPORATION

MeadWestvaco Corporation ("MeadWestvaco") respectfully submits the following comments regarding the Joint Report and Interconnection Tariff submitted to the Massachusetts Department of Telecommunications and Energy ("Department") on March 3, 2003 and May 16, 2003, respectively, by the Massachusetts Distributed Generation Collaborative ("Collaborative").

MeadWestvaco submitted initial comments in this docket and fully supported the development of interconnection standards and practices that ensure the reliability or safety of existing distribution systems, and remove present barriers to the installation of distributed generation, including without limitation cogeneration facilities located at industrial or other host facilities. MeadWestvaco urged the Department to adopt policies for standardizing interconnection agreements and procedures that encourage the development of on-site, customer-owned generation, particularly Qualifying Facilities ("QFs") under the Public Utility Regulatory Policy Act of 1978 ("PURPA"), by streamlining the procedures and minimizing the burdens for the interconnection of such generation.

The Final Report and Tariff fail to streamline procedures or minimize the burdens of QFs as compared to the current Department regulations in 220 CMR 8.00 et seq. ("PURPA Regulations"). The Final Report and Tariff increase the process time and the application fees

for so-called Standard Process applications, as defined in Section 3.3 of the proposed standard Interconnection Tariff ("Tariff"). Most QFs greater than 1 megawatt in size will follow the Standard process rather than Expedited process; none will qualify for the Simplified process which is limited to facilities of 10 kilowatts or less. While, the Final Report and Tariff may provide some benefit for the Simplified or Expedited applications, MeadWestvaco will address only the Standard applications.

II. Introduction and Executive Summary

MeadWestvaco Corporation is a Delaware corporation headquartered in Stanford, Connecticut with annual sales of $8 billion and is a leading global producer of packaging coated and specialty papers, consumer and office products and specialty chemicals. MeadWestvaco operates in 29 countries, serves customers in approximately 100 nations, employs more than 30,000 people worldwide and owns 3.5 million acres of forests managed using sustainable forest practices. In Massachusetts MeadWestvaco has a facility at South Lee, which manufactures specialty papers. MeadWestvaco is a large consumer of electric power, purchasing over 3,200,000 million kilowatt-hours of electricity annually worldwide. In addition, many of the MeadWestvaco mills have installed cogeneration and small power production facilities which are certified QFs under PURPA and/or own licensed hydroelectric facilities. All of these facilities are interconnected with the electric power grid. In 2002 MeadWestvaco generated 57.9% of its electricity requirements. Currently the facility at South Lee does not have power generation capability. However, MeadWestvaco is currently evaluating the

feasibility of cogeneration which would be a QF and the results of this proceeding will have a significant impact on the ultimate decision and the continued viability of this facility.

MeadWestvaco has unique needs with respect to interconnection issues. PURPA's intent is to promote the development of qualifying cogeneration and small power production facilities; the Department's interconnection rules and policies should respect and encourage, not interfere with, that intent.

MeadWestvaco generally supports the Department's efforts to standardize interconnection procedures and agreements. Such standardization, if fair and reasonable should serve to facilitate the development of distributed generating resources, as well as curb discriminatory practices of distribution providers. It is imperative that any rules, procedures or agreement ultimately adopted by the Department not interfere with industrial manufacturing processes or impede the development by industrial consumers of generation projects (consistent with PURPA's intent and the emphasis of the Department of Energy ("DOE") on the development of combined heat and power ("CHP") projects, including their interconnection, directly or indirectly, with the electrical transmission or distribution grid. To that end, MeadWestvaco focuses its comments on aspects of generator interconnection that are unique to the needs of industrial consumers that are on-site generators, in particular those that are QFs. QFs and other on-site generators are a highly efficient, reliable and environmentally attractive source of generation that the Department should encourage.

The Department should adopt in this proceeding standard interconnection agreement and procedures that recognize the unique aspects of QFs in a number of ways. First, existing

QFs should not be subject to any new or increased interconnection requirements: once interconnected, always interconnected. The distribution provider with which the QF is interconnected should not be permitted to impose new requirements or burdens when an existing QF power purchase agreement or interconnection agreement expires.

Second, for small QFs, *i.e.*, those non-merchant plants under 50 MW, the interconnection process should be quick and simple. Any jurisdictional issues between Federal Energy Regulatory Commission ("FERC") and the Department should be resolved in advance to avoid a case by case analysis and review which is time-consuming and costly to small generators. FERC issued a Notice of Proposed Rulemaking on Standardizing Generator Interconnection Agreements on April 24, 2002, in Docket No. RM02-1-000[1] The procedures and agreement adopted in this proceeding must be compatible with those procedures and agreement adopted by FERC. Incompatible or inconsistent procedures will create a major barrier for small QFs. The application for an interconnection, the studies prior to interconnection, and any interconnection agreement should be simpler for small QFs than those for larger generators. Also, the distribution provider should expedite the procedure for small QFs from application to construction. An interconnection process designed solely for larger, merchant generators would become particularly expensive and burdensome for non-merchant small generators, discouraging industrials such as MeadWestvaco from bringing more energy-efficient cogeneration on-line. MeadWestvaco also urges the Department to adopt a size threshold of 50 MW, rather than 5 MW under current NEPOOL procedures. A 50-MW

threshold will expand the number of small generators eligible for fast-track interconnection processing without having a material impact on the electrical grid.

Third, the interconnection procedures and agreement should take into account the requirements of the plant that a QF serves (the "Host Plant"). The safety of a Host Plant's employees and the protection of the Host Plant's machinery and equipment require that QFs not be subject to the same rules as merchant generators, such as standard rules on redispatch, control, interruption, curtailment, and reduction in electric service. Because the operations of a QF are highly integrated with those of the Host Plant, the QF should be exempt from these rules (absent a mutually agreed-upon protocol with the distribution company and/or transmission provider) so as not to impair the Host Plant's industrial, manufacturing, commercial or service operations or processes.

Fourth, because Host Plants often rely on retail electric service over the interconnection, the interconnection agreement and procedures applicable to such an interconnection should not hinder that service.

Fifth, the interconnection agreement and procedures should recognize the unique position of on-site generators (QFs and others) by accounting for such generators' impact on the system on a *net* basis rather than a *gross* basis. A significant amount of on-site generators' output is used by the generators' Host Plant and never reaches the grid. Accordingly, it would be unreasonable and unduly discriminatory to require such generators to contribute to system

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[1] *Standardization of Generator Interconnection Agreements and Procedures,* 99 FERC ¶61,086, FERC Stats. & Regs. ¶ 32,560 (2002).

costs on the basis of their entire (gross) load, rather than on the amount that actually uses the system (the net load). Using gross load as a billing determinant also adversely affects the economics of new cogeneration projects and may impede the development of new, reliable, environmentally-friendly generation. In the context of interconnection procedures and agreements, any studies required by the standardized interconnection procedures should not assume that the entire capacity of an on-site generator will be sold into the system or that the entire load of an on-site generator will be served by system resources. System-wide costs, such as grid management charges, should be allocated on a net basis so that on-site generators bear only those costs associated with their use of the transmission or distribution system, and should be based on average (not peak) usage.

Finally, the Department should incorporate these more QF friendly standardized interconnection procedures and agreements into the Department's regulations under 220 CMR 8.00 et seq. ("PURPA Regulations") as most recently amended in DTE 99-38 (December 27, 1999). In that proceeding the Order indicates comments only from distribution companies and a single wholesale generator. No existing or potential small QF generator provided comments. The Department must recognize that participation in that proceeding as well as this proceeding by on site generators is a costly and a barrier that has often resulted in adoption of regulations and procedures that fail to recognize interests of parties that are not exclusively in the electricity industry.

MeadWestvaco participated in the initial deliberations of the Collaborative and suggested that the standards being developed for Standard applications proposed lengthened

the process time from that contained in 220 CMR 8.04 and increased the fees without any justification. On December 6, 2002, MeadWestvaco submitted written comments to the Collaborative which were summarily dismissed. On December 20, 2002, after the filing by the Collaborative of its Interim Report on December 16, 2003 with the Department, MeadWestvaco submitted comments to the Department which included its December 6, 2002 comments to the Collaborative. A copy of those comments are attached hereto as Attachment A.

MeadWestvaco has followed the Collaborative process since the Interim Report was filed with the Department, attended a Collaborative meeting to discuss Tariff issues and has reviewed the Final Report and Tariff. Unfortunately MeadWestvaco must report that none of its issues articulated almost six months ago has been satisfactorily resolved by the Collaborative in their Final Report and Tariff. The utilities have apparently traded-off small concessions for the Simplified and Expedited applications at the expense of the Standard applications. MeadWestvaco objects.

Now almost a year after this proceeding was opened by the Department, there are no standard interconnection procedures and rules in Massachusetts that remove barriers for QF projects recognized by the Department in opening this docket and no indication when the Department plans to address issues related to back-up service charges which were not included in the Collaborative process mandate. Thus, for a year any QF proposal that may have been forthcoming has been placed in limbo. No capital investment in any significant project will be undertaken in this environment. The Department must resolve the current uncertainty and

remove those barriers. The market activity for distributed generation will determine if the Department's final rules and pricing decisions allow distributed generation to flourish in Massachusetts. Time is of the essence. MeadWestvaco urges a prompt resolution of these issues by the Department.

IV. Comments

In order to minimize the burdens on on-site generators and enable them to bring new generating resources on-line as quickly and efficiently as possible, the timing to process applications must be streamlined and the cost for any Impact Study or Detailed Study be minimized. The May 15, 2003 letter from Raab Associates, Ltd. filing the Tariff with the Department indicates that there is an issue regarding the application and consistency of the Tariff filed by the Collaborative and the existing interconnection regulations in 220 CMR 8.04 for Qualifying Facilities regarding timelines and fees. The reason for this dispute is that the existing PURPA Regulations are more streamlined and have lower fees than those proposed in the Tariff.

Cost Issues

1. Study Costs should have a "Not-to-Exceed" or Cap Provision

During the Collaborative process MeadWestvaco inquired of the maximum study costs incurred by the utilities in reviewing an interconnection application and preparation of studies required for a non-merchant QF project to interconnect with on a radial distribution line. The highest cost reported by a utility was $17,500. MeadWestvaco suggested to the Collaborative

that a "not-to-exceed" price of $20,000 for such applications and studies. This was flatly rejected by the utilities. MeadWestvaco urges the Department establish a reasonable "not-to-exceed" price for such applications and studies and monitor the actual cost to determine if the "not-to-exceed" price should be changed up or down in the future. A "not-to-exceed" price will avoid disputes between the project proponent and the utility as to the cost of application review and studies. Without a price cap, a project proponent will be unable to resolve a dispute over the magnitude of the fees in a timely or cost-effective manner. The failure to have such a cap will be a barrier to many possible projects. The utilities may estimate a high cost, which will deter project developers, even if the final cost is much below the estimate. A cap on fees will require the utility to be responsible and efficient.

2. System Modification Costs Should be installed by the Utility at a "Not-to-Exceed" Price

A related issue, is the utilities unwillingness to install the required system modifications at the price estimated by the utility in the Impact and/or Detailed Studies. The utilities seek to charge customers for interconnection costs on a cost-plus basis. The purpose of the studies is to come up with a cost for such modifications. The utilities should be required to construct the modifications at the estimated price subject only to a limited set of approved extras for unforeseen conditions. Customer responsibility for System modification costs does not reflect the current PURPA regulations in 220 CMR 8.04(7) where such costs reflect only incremental costs required solely for the applicant. This should be recognized by the Department. The

requirement that the utility construct the system modifications at the estimated price will provide the utilities with a financial incentive to minimize such construction costs.

3. The Tariff requirement of an application fee is contrary to 220 CMR 8.04(2)

Existing PURPA regulations require no application fee for the initial inspection and review of an application. The Tariff proposes an application fee up to $2,500 for Standard and Expedited applications. Why is this additional burden necessary? This proceeding was intended to remove not increase barriers. Any such charge, if allowed, which is questionable, should be part of a "not-to-exceed" price for all costs in connection with the review of the application and Impact and/or Detailed Studies.

Timelines for Standard Application are Excessive

MeadWestvaco previously advised the Department and the Collaborative that the timelines to process a Standard application have been increased by fifty percent in the Interim Report as compared with the PURPA regulations. This has not changed in the Final Report and Tariff. Under current PURPA regulations for QF interconnections there is 45 days for an initial site inspection, 220 CMR 8.04(2) and if additional studies are necessary to complete the interconnection facility cost estimates an additional 90 days is established in 220 CMR 8.04(3), for a total of 135 days. The Final Report indicates that the processing time schedule for Standard Interconnection is between 125/150 **business days**. See Table 1 at page 18 of the Tariff. As the current PURPA Regulations do not indicate that the days are "business days" it must be inferred to be calendar days. The Interim Report, Final Report and Tariff all indicate

that the days to process all applications are "business days." This change from calendar to business days increases the time schedule to process Standard interconnection applications by almost 50% when weekend and holiday days are included. This is a step backward and should be rejected by the Department at least for the Standard applications.

The time schedule proposed in the Collaborative Report and Tariff are significantly longer than the processing time schedule proposed by the Small Generation Coalition in Attachment B to the consensus document submitted to FERC in the ANOPR on November 12, 2002, for distribution interconnections for the initial utility review, scoping meeting, Distribution Impact Study and Facility Study (with system upgrades) of 80 business days and longer than the Interconnection Providers schedule of 110 days. See Attachment B Procedures.

While there may be some justification for use of business days for the Simplified process where the total maximum time to process an application is 15 days from start to finish, there is no justification to use business days for the Standard process where the total maximum is 125/150 days. Real Energy has proposed a total maximum of 65/80 days for the Standard process. While unstated, Real Energy is probably suggesting 65/80 "business days, which translates into 90-95 calendar days. MeadWestvaco notes that built into the Collaborative timeline for Standard applications are twenty days for utility preparation of various study cost agreements and interconnection agreement. With a standard form agreement in the Tariff, the Department should streamline the process and eliminate the wasted time included for preparation of multiple study agreements and an interconnection agreement. All that is required for the study agreement is a single page description of services and costs on the form included in

the Tariff The interconnection agreement should also be standard with a description of system modifications, if any. This will reduce unnecessary processing delays. The Department should either adopt the timeline for Standard applications proposed by Real Energy or require that the timelines for the Standard applications be designated in calendar not business days.

In the Standard process there are two possible studies, an Impact Study and a Detailed Study. The Tariff, Section 3.3, at 10, indicates that "if the Company determines, in accordance with Good Utility Practice, that System Modifications to the Company EPS **are not substantial,** the Impact Study will determine the scope and cost of modifications…" A Detailed Study would apparently be required if System Modifications **are substantial.** Whether a Detailed Study is or is not required will impact the cost and time to process an application. Nevertheless, the proposed Tariff gives no definition of **substantial System Modifications.** This determination is apparently left to the sole discretion of the utility. MeadWestvaco suggests that there must be a definition of **substantial** that will contain reasonable guidelines and some minimum cost threshold where System Modifications would be presumed **insubstantial.** Such a definition is critical to avoid unnecessary disputes that cannot be resolved in a timely and cost-effective manner.

Tariff provisions or modifications should not apply to existing interconnections

The Collaborative Tariff filing letter of May 15, 2003, indicates that there is a dispute about grandfathering current or future interconnection agreements from further Tariff modifications adopted subsequent to the applicable interconnection agreement. No interconnection agreement should be required for existing QFs and no Tariff modifications

should be applied retroactively to existing interconnected facilities. There is no reason to impose new burdens on existing QFs. They are currently interconnected with the electrical grid; in many cases, they have been interconnected for decades. No useful purpose would be served in forcing existing QFs that already are interconnected to undergo the interconnection agreement process. Even when an existing QF power purchase agreement ("PPA") expires, there is no reason to impose new burdens on the QF. MeadWestvaco recognizes that it may be necessary for an existing QF to sign a *pro forma* service agreement solely for the administrative purpose of formally placing the QF under the applicable tariff. In such a case, no new obligations, such as new costs or system studies, should be imposed on the QF as a result of executing a *pro forma* service agreement; nor should delays result from such execution.

Operational Control over the Generating Resource

Because cogeneration is totally dependent on the associated production (*i.e.*, industrial, manufacturing or service) process, the owner/operator of a facility must retain control over the facility, have access to the grid (in order to buy or sell electricity) on a non-discriminatory basis, and have control over planned outages. A cogenerator's power production is highly integrated with the production process of the Host Plant. Outside control over a facility that does not recognize and preserve this integration could severely disrupt industrial production or process equipment, affect environmental compliance, and threaten worker safety. For instance, safety lock-out procedures in manufacturing require that, during a maintenance outage, all equipment that could inadvertently cause personal injury to workers be shut down and locked out. Further, a Host Plant is not able to respond to the ramping and other timing requirements a

transmission operator might impose; industrial processes simply cannot be turned on and off in response to supply-demand sequences present in power generation, transmission, and dispatch. Where a cogeneration plant serves as the primary source of steam or heat for the Host Plant's industrial process, the generator must run or the manufacturing process will be idled, resulting in financial harm and possible physical damage to the Host Plant. To address the needs of the Host Plant, several issues must be recognized.[2]

First, any requirement for an Interconnecting Customer to share information such as in Section 10.0 of the Tariff, should include a provision that on-site generators are not required to provide any information related to their industrial, manufacturing, commercial or service operations or processes that are not directly related to operation of the generator or the interconnection. There are many aspects of industrial, manufacturing, commercial or service operations or processes that potentially could be subject to this information-sharing requirement that have little or nothing to do with the legitimate needs of the Distribution Company with respect to the interconnection and generating facilities. For instance, a Host Plant may have a production schedule that results in week-by-week variations in the amount of energy required and thus the amount of electricity available to be transmitted to the grid. In that instance, a Distribution Company may reasonably request information regarding the expected amounts of

[2] FERC has indicated that Transmission Providers should take into account the differing circumstances of on-site generation, and that the interconnection agreement is the appropriate place to address limitations on Transmission Providers' redispatch authority over generation integrated with the manufacturing or other industrial process. *See, e.g.*, *GridSouth Transco, LLC, et al.*, 96 FERC ¶ 61,067, at 61,293 (2001); *Carolina Power & Light Co., et al.*, 94 FERC ¶ 61,273, at 61,995 (2001). *But see Midwest Independent Transmission System*

electrical output, but a Distribution Company should not be entitled to information for the amount of goods produced week-by-week. Any audit or inspection rights should be restricted to only those matters directly relating to the Interconnection Facilities or Facility. Accordingly, MeadWestvaco proposes that the following italicized language be included if information is to be required from the QF: "*provided such information is directly related to the Interconnection Facilities or the Facility. Information related to industrial, manufacturing, commercial or service operations or processes served by an on-site Facility shall be presumed not to be related to the Interconnection Facilities or the Facility. Any Facility specific information will be considered proprietary information and not disclosed by the utility other than as required by law, after providing Customer at least ten days written notice of its intent to disclose such information so that Customer can file an appropriate objection . If provided to the Department, Department will maintain such information as confidential in accordance with G.L. c. 25, § 5D and will provide the Facility an opportunity to contest any request to make such information available to the public.*."

Second, any operating protocols or modification to such instruction in order to eliminate or minimize any adverse impact on the generating facility or the interconnection must take into account the potential adverse impacts on Generators that are on-site generators (QF and otherwise). Doing so is necessary to preserve the Host Plant's control of its operations and protect the operations or processes of the host plant. The Distribution Company should

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Operator, Inc., et al., 97 FERC ¶ 61,326, at 62,509 (2001) (approving short-term reliability

consider such adverse impacts in issuing operating instructions to the on-site Generator (QF), and should, if informed by the on-site Generator (QF), modify such instructions.

In addition, if actual operating instructions would have an adverse impact on the safety, reliability, operations, or economics of the Facility, the Generator Interconnection Facilities, or the Host Plant, the Distribution Company should fully compensate the on-site Generator (QF). MeadWestvaco thus proposes the following language be adopted:

> To the extent that the actual operating instructions ultimately provided to Generator by Distribution Company have an adverse impact on the operations or economics of the Facility, the Generator Interconnection Facilities, or the on-site facilities served by the Generator, the Distribution Company shall compensate Generator.

Third, MeadWestvaco also proposes greater coordination between the Distribution Company and the Generator, provided that the Interconnection Agreement recognizes the safety and operational needs of a Host Plant. Any curtailment, interruption or reduction in deliveries of electricity should not adversely affect operations or processes of the Host Plant. MeadWestvaco therefore suggests that the following language be adopted:

> Notwithstanding anything to the contrary in this Agreement, no operating instructions (including dispatch or redispatch) and no curtailment, interruption or reduction in deliveries to or from the Generator shall be issued or ordered by the Distribution Company if such instruction, curtailment, interruption or reduction would adversely affect or impede any industrial, manufacturing, commercial or service operations or processes located at Generator's site.[3]

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control over generation interconnected with the transmission grid).

[3] MeadWestvaco notes that Texas's restructuring statute, S.B. 7, contains a similar provision protecting the industrial manufacturing process: "No operational criteria, protocols, or other requirement established by an independent organization, including the ERCOT independent system operator, may adversely affect or impede any manufacturing or other internal process

Finally, along the same lines, a definition of "Emergency Condition" should include a condition or situation that is imminently likely to cause a material adverse effect on the security of, or damage to, the Host Plant. MeadWestvaco therefore suggests that the following language be adopted from Section 13.6 of the FERC NOPR as modified in italics:

> Generator may take whatever actions or inactions with regard to the Facility or the Generator Interconnection Facilities it deems necessary during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Facility or the Generator Interconnection Facilities, *(iii) preserve the operations and production processes of the on-site facilities served by the Facility, (iv)* limit or prevent damage *to the Facility, the Generator Interconnection Facilities, or the on-site facilities served by the Facility, and (v)* expedite the restoration of service.

Provisions in Section 4.1.1 of the Tariff, which require an Interconnecting Customer to acknowledge voltage fluctuations as "unavoidable …of too short duration and insufficient magnitude to have any adverse effects on general service applications" and thus normal, are objectionable and should be struck.. While there may be voltage fluctuations, the utility should not be insulated from damage caused on its system.

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operation associated with an industrial generation facility, except to the minimum extent necessary to assure reliability of the transmission network." Public Utility Regulatory Act, § 39.151(l).

Continued Interconnection

In addition to relying on self-generation to operate their industrial processes, industrials such as MeadWestvaco also rely on retail electric service. Unlike typical merchant generators, industrials use their interconnection as both seller and buyer (*i.e.*, for more than just station service). A standard set of interconnection procedures and agreement should allow a Host Plant to retain its ability to receive retail electric service (including supplementary, back-up, and maintenance power).

Moreover, existing QFs should remain interconnected upon expiration of existing QF PPAs, which typically govern the interconnection relationship between the QF and the Transmission Provider or Distribution Company. Notwithstanding the expiration of a PPA, nothing has changed from an operational perspective. There is no justification for disconnecting the QF in such a case, and indeed such disconnection would thwart PURPA's intent. The interconnection Tariff and interconnection agreement thus should provide for continued interconnection even if the agreement is terminated, except for a material breach by the Interconnection Customer. The provisions in section 4 of the Interconnection Service Agreement, Exhibit A to the Tariff and Section 7.0 of the Tariff, must be modified accordingly. MeadWestvaco is concerned with the provisions for a Disconnect Switch and the Company's access thereto in Sections 4.2.4.2.1 and 6.4 of the Tariff. It should be made clear that the Disconnect Switch does not operate the Customer's Facility, but only will isolate the Company system from the Customer's Facility in appropriate situations and with as much advanced notice as possible.

Timely and Efficient Dispute Resolution

Under exiting PURPA Regulations the Department provides the QF protection against undue delays and unreasonable interconnection cost estimates by the Distribution Company under a discretionary complaint procedure before the Department. 220 CMR 8.04(3) and 8.08(2). MeadWestvaco urges the Department to make available a fast-track complaint procedure to resolve such disputes within thirty (30) days of filing. The dispute resolution procedures in the Tariff, Section 9.0, allows 60 days for negotiation and mediation/non-binding arbitration and then a Department adjudicatory hearing process which allows for another 90 days. This is much too protracted and will discourage any attempt to resolve utility decisions objected to by the Customer, except where the Customer cannot simply abandon the project. Failure to have a quick and inexpensive dispute resolution process will discourage distributed project development.

Metering

QF customers should continue to have the right to own the meter as under current PURPA regulations. 220 CMR 8.04. If QFs can do so now, there is no reason that any Standard process applicant should not be allowed to own the meter. Any Department impediments should be removed. Cf. Tariff Section 8.1.

Interconnection and Metering Costs Should Exclude Costs Recognized and Recovered in Sales Tariffs Applicable to QFs

Department PURPA Regulations recognize that only incremental costs resulting from the interconnection should be paid for by the QF. 220 CMR 8.04(7). Existing tariffs should be

unbundled to separately identify such costs to avoid undue delay and unfettered discretion in the application of the proper metering and interconnection costs required for retail distribution service.

Backup, Maintenance and Supplemental Service Rates

MeadWestvaco has noted that the existing Western Massachusetts Electric Company tariff for backup, maintenance and supplemental service, Rate PR, is closed to new customers and will expire for existing customers on February 28, 2005 at the end of the transition period. The uncertainty regarding such charges is a significant barrier to planning and installing any on site generation that may or will require these services. Cost based rates for backup, maintenance and supplemental service that also recognize the benefits of on site generation must be adopted promptly. Such rates are mandated by PURPA. The Department's PURPA Regulations, 220 CMR 8.06 (1) provides that such service shall be supplied "…pursuant to 18 C.F.R. 292.305(b) under rate schedules applicable to all customers, regardless of whether they generate their own power." There is no factual basis to assume "that the forced outages or reduction in electricity output by all qualifying facilities on an electric utility's system will occur simultaneously or during the system peak, or both." 18 C.F.R. 292.305(c) Furthermore usage characteristics of QFs are not necessarily the same as full requirements customers. A working group of existing and potential QF developers and industrials should review these regulations and make sure that each distribution company has rates available for backup and maintenance power in compliance with 18 C.F.R. 292.305(c). Failure to have such available just and

reasonable backup, maintenance and supplemental rates will inhibit the development of distributed generation.

Additional Comments

The definition of Qualifying Facility in Section 1.1 of the Tariff, should include any facility that "would have been entitled to receive a certification" in the event of a repeal of PURPA.

MeadWestvaco supports the DG Cluster position on cost responsibility in Sections 5.1 and 5.4 of the Tariff, subject to the "not-to-exceed " cap as discussed above for study costs and would further suggest the inclusion of the word "incremental" as in the current PURPA regulations.

V. Conclusion

Wherefore, MeadWestvaco Corporation respectfully requests that the Department modify the Tariff as reflected in these comments and take such action as requested herein.

Respectfully submitted,

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